

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF REESE**

Tuscola County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2006

# VILLAGE OF REESE

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**BERTHIAUME  
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## **INDEPENDENT AUDITORS' REPORT**

To the Village Council  
Village of Reese, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Reese's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

June 1, 2006

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF REESE

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## STATEMENT OF NET ASSETS

March 31, 2006

	<u><i>Governmental Activities</i></u>	<u><i>Business-type Activities</i></u>	<u><i>Total</i></u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 721,243	\$ 189,948	\$ 911,191
Receivables	135,384	11,320	146,704
Internal balances	2,441	(2,441)	-
Capital assets:			
Nondepreciable capital assets	239,724	51,650	291,374
Depreciable capital assets, net	<u>1,282,374</u>	<u>559,088</u>	<u>1,841,462</u>
Total assets	<u>2,381,166</u>	<u>809,565</u>	<u>3,190,731</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	69,940	-	69,940
Deferred revenue	8,400	-	8,400
Long-term liabilities:			
Due within one year	32,906	-	32,906
Due in more than one year	<u>132,118</u>	<u>-</u>	<u>132,118</u>
Total liabilities	<u>243,364</u>	<u>-</u>	<u>243,364</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	1,357,074	610,738	1,967,812
Restricted for:			
Streets	264,458	-	264,458
Fire apparatus	17,179	-	17,179
Sidewalks	31,641	-	31,641
Unrestricted	<u>467,450</u>	<u>198,827</u>	<u>666,277</u>
Total net assets	<u>\$ 2,137,802</u>	<u>\$ 809,565</u>	<u>\$ 2,947,367</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

		<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
	<u>Expenses</u>				
<b>Functions/Programs</b>					
<i>Governmental activities:</i>					
General government	\$ 147,866	\$ 17,009	\$ -	\$ -	\$ (130,857)
Public safety	239,154	14,699	22,671	49,924	(151,860)
Public works	282,587	113,744	147,011	-	(21,832)
Community and economic development	3,744	-	-	-	(3,744)
Recreation and culture	32,216	245	13,700	-	(18,271)
Interest on long-term debt	9,655	-	-	-	(9,655)
Total governmental activities	<u>\$ 715,222</u>	<u>\$ 145,697</u>	<u>\$ 183,382</u>	<u>\$ 49,924</u>	<u>\$ (336,219)</u>
<i>Business-type activities:</i>					
Sewer	\$ 109,329	\$ 105,784	\$ -	\$ -	\$ (3,545)
Total business-type activities	<u>\$ 109,329</u>	<u>\$ 105,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,545)</u>

continued

*The accompanying notes are an integral part of these financial statements.*

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	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-</u></i> <i><u>type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
Changes in net assets:			
Net (Expense) Revenue	\$ (336,219)	\$ (3,545)	\$ (339,764)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	262,939	-	262,939
Property taxes, levied for fire apparatus	23,466	-	23,466
Property taxes, levied for sidewalks	21,620	-	21,620
Grants and contributions not restricted to specific programs	140,710	-	140,710
Unrestricted investment earnings	20,864	4,730	25,594
Miscellaneous	25,740	-	25,740
Special item - Proceeds from sale of capital asset	12,859	-	12,859
Transfers	<u>3,842</u>	<u>(3,842)</u>	<u>-</u>
Total general revenues and special items	<u>512,040</u>	<u>888</u>	<u>512,928</u>
Change in net assets	175,821	(2,657)	173,164
Net assets, beginning of year, as restated	<u>1,961,981</u>	<u>812,222</u>	<u>2,774,203</u>
Net assets, end of year	<u>\$ 2,137,802</u>	<u>\$ 809,565</u>	<u>\$ 2,947,367</u>



# VILLAGE OF REESE

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Fire Special Fund</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 430,329	\$ 137,538	\$ 77,535	\$ 19,189
Taxes receivable	2,646	-	-	237
Accounts receivable	14,247	-	-	-
Due from other governmental units	19,263	37,896	16,481	44,396
Due from other funds	7,342	2,278	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 473,827</u>	<u>\$ 177,712</u>	<u>\$ 94,016</u>	<u>\$ 63,822</u>
<b>Liabilities and Fund Balances:</b>				
<i>Liabilities:</i>				
Accounts payable				
and accrued expenses	\$ 21,239	\$ 778	\$ -	\$ 44,396
Due to other governmental units	193	-	-	-
Due to other funds	-	3,126	3,366	2,247
Deposits payable	-	-	-	-
Deferred revenue	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>21,432</u>	<u>3,904</u>	<u>3,366</u>	<u>46,643</u>
<i>Fund balances:</i>				
Unreserved:				
General fund	452,395	-	-	-
Special revenue funds	-	173,808	90,650	17,179
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>452,395</u>	<u>173,808</u>	<u>90,650</u>	<u>17,179</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 473,827</u>	<u>\$ 177,712</u>	<u>\$ 94,016</u>	<u>\$ 63,822</u>

*The accompanying notes are an integral part of these financial statements.*

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<i>Fire Department Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
\$ 22,654	\$ 33,998	\$ 721,243
-	218	3,101
-	-	14,247
-	-	118,036
<u>2,247</u>	<u>-</u>	<u>11,867</u>
<u>\$ 24,901</u>	<u>\$ 34,216</u>	<u>\$ 868,494</u>

\$ 424	\$ 87	\$ 66,924
-	-	193
-	687	9,426
-	25	25
<u>8,400</u>	<u>-</u>	<u>8,400</u>
<u>8,824</u>	<u>799</u>	<u>84,968</u>

-	-	452,395
<u>16,077</u>	<u>33,417</u>	<u>331,131</u>
<u>16,077</u>	<u>33,417</u>	<u>783,526</u>
<u>\$ 24,901</u>	<u>\$ 34,216</u>	<u>\$ 868,494</u>

# VILLAGE OF REESE

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

**Total fund balances for governmental funds** \$ 783,526

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	2,291,843	
Less accumulated depreciation	<u>(769,745)</u>	1,522,098

Interest payable in the governmental activities are not payable from  
current resources and therefore are not reported in the governmental  
funds. (2,798)

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Bond payable	(125,000)	
Notes payable	(34,754)	
Capital lease payable	<u>(5,270)</u>	<u>(165,024)</u>

**Net assets of governmental activities** \$ 2,137,802

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Fire Special Fund</i>
<b>Revenues:</b>				
Property taxes	\$ 262,939	\$ -	\$ -	\$ 23,466
Federal grants	-	-	-	49,924
State grants	141,961	80,391	31,545	-
Contributions from other units	-	23,422	11,653	-
Charges for services	134,158	-	-	-
Fines and forfeits	59	-	-	-
Interest and rents	54,279	4,209	2,644	488
Other revenue	29,979	100	-	7,575
Total revenues	<u>623,375</u>	<u>108,122</u>	<u>45,842</u>	<u>81,453</u>
<b>Expenditures:</b>				
<i>Current:</i>				
General government	135,751	-	-	-
Public safety	140,124	-	-	18,954
Public works	213,902	49,951	31,534	-
Community and economic development	3,744	-	-	-
Recreation and culture	6,854	-	-	-
Other	3,740	-	-	-
Capital outlay	90,438	74,922	31,957	52,587
Debt service				
Principal	14,995	-	-	16,927
Interest and charges	7,997	-	-	2,134
Total expenditures	<u>617,545</u>	<u>124,873</u>	<u>63,491</u>	<u>90,602</u>
Excess (deficiency) of revenues over expenditures	<u>5,830</u>	<u>(16,751)</u>	<u>(17,649)</u>	<u>(9,149)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	12,000
Transfers out	<u>(31,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(31,420)</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Net change in fund balances	(25,590)	(16,751)	(17,649)	2,851
Fund balances, beginning of year	<u>477,985</u>	<u>190,559</u>	<u>108,299</u>	<u>14,328</u>
Fund balances, end of year	<u>\$ 452,395</u>	<u>\$ 173,808</u>	<u>\$ 90,650</u>	<u>\$ 17,179</u>

*The accompanying notes are an integral part of these financial statements.*

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<i>Fire Department Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
\$ -	\$ 21,620	\$ 308,025
-	-	49,924
-	-	253,897
21,420	13,600	70,095
13,800	-	147,958
-	-	59
618	2,597	64,835
-	1,045	38,699
<u>35,838</u>	<u>38,862</u>	<u>933,492</u>
-	-	135,751
40,400	-	199,478
-	3,526	298,913
-	-	3,744
-	26,785	33,639
-	-	3,740
4,621	7,684	262,209
-	-	31,922
-	-	10,131
<u>45,021</u>	<u>37,995</u>	<u>979,527</u>
<u>(9,183)</u>	<u>867</u>	<u>(46,035)</u>
21,420	13,842	47,262
<u>(12,000)</u>	<u>-</u>	<u>(43,420)</u>
<u>9,420</u>	<u>13,842</u>	<u>3,842</u>
237	14,709	(42,193)
<u>15,840</u>	<u>18,708</u>	<u>825,719</u>
<u>\$ 16,077</u>	<u>\$ 33,417</u>	<u>\$ 783,526</u>

# VILLAGE OF REESE

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2006

**Net change in fund balances - total governmental funds** \$ (42,193)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	259,281	
Less depreciation expense	<u>(73,665)</u>	185,616

Repayments of principal on bonds and notes is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 31,922

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds and notes	<u>476</u>
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**Change in net assets of governmental activities** \$ 175,821

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## *PROPRIETARY FUND* **STATEMENT OF NET ASSETS**

March 31, 2006

	<i><u>Sewer Fund</u></i>
<b>Assets:</b>	
<b><i>Current assets:</i></b>	
Cash and cash equivalents	\$ 189,948
Accounts receivable	11,320
Due from other funds	<u>100</u>
Total current assets	<u>201,368</u>
<b><i>Noncurrent assets:</i></b>	
Capital assets:	
Nondepreciable capital assets	51,650
Depreciable capital assets, net	<u>559,088</u>
Total noncurrent assets	<u>610,738</u>
Total assets	<u>812,106</u>
<b>Liabilities:</b>	
<b><i>Current liabilities:</i></b>	
Due to other funds	<u>2,541</u>
Total current liabilities	<u>2,541</u>
Total liabilities	<u>2,541</u>
<b>Net assets:</b>	
Invested in capital assets	610,738
Unrestricted	<u>198,827</u>
Total net assets	<u>\$ 809,565</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## PROPRIETARY FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2006

	<i><u>Sewer Fund</u></i>
<b>Operating revenues:</b>	
Charges for services	\$ 96,886
Equipment rental	8,557
Other	<u>341</u>
Total operating revenues	<u>105,784</u>
<b>Operating expenses:</b>	
Personnel	20,748
Fringe benefits	7,028
Supplies	9,354
Contracted services	8,289
Administrative expense	7,800
Printing and publishing	98
Insurance	7,881
Utilities	2,705
Repair and maintenance	9,428
Equipment rental	6,223
Other services and supplies	519
Depreciation	<u>29,256</u>
Total operating expenses	<u>109,329</u>
Operating income (loss)	<u>(3,545)</u>
<b>Non-operating revenues (expenses):</b>	
Interest income	<u>4,730</u>
Total non-operating revenues (expenses)	<u>4,730</u>
Net income (loss) before operating transfers	1,185
<b>Operating transfers:</b>	
Transfer to other funds	<u>(3,842)</u>
Total operating transfers	<u>(3,842)</u>
Net income (loss)	(2,657)
Net assets, beginning of year	<u>812,222</u>
Net assets, end of year	<u><u>\$ 809,565</u></u>

*The accompanying notes are an integral part of these financial statements.*



# VILLAGE OF REESE

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## *PROPRIETARY FUND*

### STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

	<i><u>Sewer Fund</u></i>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 98,416
Cash received for interfund services	9,492
Cash payments to employees	(20,748)
Cash payments to suppliers for goods and services	<u>(59,325)</u>
Net cash provided by operating activities	<u>27,835</u>
<b>Cash flows from non-capital financing activities:</b>	
Operating transfers out	<u>(3,842)</u>
Net cash used for non-capital financing activities	<u>(3,842)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>4,730</u>
Net cash provided by investing activities	<u>4,730</u>
Net increase in cash and cash equivalents	28,723
Cash and cash equivalents, beginning of year	<u>161,225</u>
Cash and cash equivalents, end of year	<u><u>\$ 189,948</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (3,545)
Adjustments	
Depreciation	29,256
Change in assets and liabilities:	
Accounts receivable	1,189
Due from other funds	58
Due to other funds	<u>877</u>
Net cash provided by operating activities	<u><u>\$ 27,835</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2006

	<i><u>Pension Trust Fund</u></i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 181,225
Total assets	<u>181,225</u>
<b>Net Assets:</b>	
Held in trust for employee pension	<u>\$ 181,225</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## *FIDUCIARY FUND*

### STATEMENT OF CHANGES IN NET ASSETS

Year Ended March 31, 2006

	<i>Pension Trust Fund</i>
<b>Additions:</b>	
Employer contributions	\$ 17,897
Investment income (loss)	<u>22,237</u>
Total additions	<u>40,134</u>
<b>Deductions:</b>	
Distributions and other	<u>19,280</u>
Total deductions	<u>19,280</u>
Net increase (decrease)	20,854
Net assets, beginning of year	<u>160,371</u>
Net assets, end of year	<u><u>\$ 181,225</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The Village of Reese is a general law village. The Village operates on a Council-Manager form of government and provides services to approximately 1,500 citizens.

The accounting policies of the Village of Reese conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units required to be included in the Village's reporting entity.

#### **Joint Ventures:**

**Blumfield-Reese Water Authority** - The Village of Reese and Blumfield Township jointly established the Blumfield-Reese Water Authority in 1968. The Authority was organized in order to construct, operate and maintain certain water storage, transmission and distribution facilities and to provide the two municipalities with water it purchases from the City of Saginaw. The Village and the Township have provided financial backing for various debt obligations of the Authority. Separate financial statements can be obtained by contacting the Blumfield-Reese Water Authority, 12810 East Washington, Reese, Michigan 48757.

**Fire Agreement** – In March 2000, the Village and Blumfield Township entered into an operating agreement for the purpose of establishing a fire protection system. The expenses related to this agreement are to be shared by the Village and Blumfield Township as designated by the agreement. This agreement shall continue in effect for three years and will automatically renew for successive one year periods. The Village's costs related to this fire agreement are accounted for in the Fire Special Fund, a Special Revenue Fund.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

#### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village.

The **Local Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village.

The **Fire Special Fund** is used to account for the special voted tax millage for fire apparatus and the revenues and costs related to the fire agreement with Blumfield Township.

The **Fire Department Fund** is used to account for the revenues and related expenses for fire protection.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

The Village reports the following major enterprise fund:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

Additionally, the Village reports the following fiduciary fund type:

The **Pension Trust Fund** accounts for the activities of the Village's retirement plan which accumulates resources for pension benefit payments on a defined contribution basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments with a maturity when purchased of three months or less.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15-50 years
Furniture and equipment	5-10 years
Infrastructure	50 years
Land improvements	20 years
Machinery and equipment	5-25 years
Vehicles	8-15 years



# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

**Compensated Absences** – Employees are not allowed to accumulate vacation and sick days; therefore, no liability is recorded in the government-wide financial statements and the proprietary fund financial statements.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Properties are assessed as of December 31. The related property taxes become a lien on July 1 of the following year. These taxes are billed on September 15 with the final collection date of March 1 before they are added to the county tax rolls.

The 2005 taxable valuation of the Village totaled \$24,681,817, on which ad valorem taxes levied consisted of 10.5000 mills for the Village’s operating purposes, .8784 mills for sidewalks, and .9534 for fire apparatus. The sidewalks and fire apparatus are both special voted millages.

The delinquent real property taxes of the Village are purchased by Tuscola County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **Budgetary Information:**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Village did not incur expenditures that were materially in excess of the amounts budgeted.

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

The Village's deposits and investments are subject to risk, which is examined in more detail below:

### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$930,214 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$186,214 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Village had no investments at March 31, 2006.

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## **NOTE 4: CAPITAL ASSETS**

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Capital asset activity for the year ended March 31, 2006 was as follows:

	<i>April 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2006</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 239,724	\$ -	\$ -	\$ 239,724
Depreciable capital assets				
Buildings and improvements	908,603	-	-	908,603
Construction in progress - infrastructure	42,403	99,063	-	141,466
Furniture and equipment	48,897	-	-	48,897
Land improvements	38,917	-	-	38,917
Machinery and equipment	405,545	150,148	-	555,693
Site improvements	-	10,069	-	10,069
Vehicles	348,474	-	-	348,474
Subtotal of depreciable capital assets	1,792,839	259,280	-	2,052,119
Accumulated depreciation	(696,080)	(73,665)	-	(769,745)
Depreciable capital assets, net	1,096,759	185,615	-	1,282,374
Governmental activities, capital assets, net	<u>\$ 1,336,483</u>	<u>\$ 185,615</u>	<u>\$ -</u>	<u>\$ 1,522,098</u>

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

	<u>April 1,</u> <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31,</u> <u>2006</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets:				
Land	\$ 51,650	\$ -	\$ -	\$ 51,650
Depreciable capital assets:				
Collection system	890,679	-	-	890,679
Land improvements	9,103	-	-	9,103
Machinery and equipment	138,007	-	-	138,007
Treatment facilities	440,416	-	-	440,416
Subtotal	1,478,205	-	-	1,478,205
Accumulated depreciation	(889,861)	(29,256)	-	(919,117)
Depreciable capital assets, net	588,344	(29,256)	-	559,088
Business-type activities, capital assets, net	\$ 639,994	\$ (29,256)	\$ -	\$ 610,738

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 9,165
Public safety	37,768
Public works	22,901
Recreation and culture	3,831
Total governmental activities	<u>\$ 73,665</u>
<b>Business-type activities:</b>	
Sewer	<u>\$ 29,256</u>
Total business-type activities	<u>\$ 29,256</u>

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## NOTE 5: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

<b>Governmental Activities:</b>	<u>Unearned</u>
Fire protection contract fees	\$ 8,400

# VILLAGE OF REESE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Installment purchase agreements are also general obligations of the government.

Long-term liabilities at March 31, 2006 consisted of the following:

<u><i>Types of Indebtedness</i></u>	<u><i>Maturity</i></u>	<u><i>Interest Rates</i></u>	<u><i>Principal Installments</i></u>	<u><i>Original Issue Amount</i></u>	<u><i>Outstanding at Year-End</i></u>
<b><u>Governmental activities:</u></b>					
<b><u>General Obligation Bonds:</u></b>					
1996 Issue - Building Authority Bonds					
Serial Current Interest Bonds	6/1/96-6/1/16	5.60%	\$10,000-15,000	\$175,000	\$125,000
<b><u>Capital Lease Agreement:</u></b>					
2004 Crown Victoria	7/9/04-7/9/06	5.50%	4,995-5,270	20,265	5,270
<b><u>Note Payable:</u></b>					
Fire Truck	12/15/02-12/15/07	4.10%	16,927-17,636	99,596	34,754

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u><i>April 1, 2005</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>March 31, 2006</i></u>	<u><i>Due Within One Year</i></u>
<b><u>Governmental activities:</u></b>					
1996 Issue - Building Authority Bonds	\$ 135,000	\$ -	\$ (10,000)	\$ 125,000	\$ 10,000
Capital Lease Agreement	10,265	-	(4,995)	5,270	5,270
Note Payable	51,681	-	(16,927)	34,754	17,636
Total governmental activities					
- long-term liabilities	<u>\$ 196,946</u>	<u>\$ -</u>	<u>\$ (31,922)</u>	<u>\$ 165,024</u>	<u>\$ 32,906</u>

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Annual debt service requirements to maturity for the above debt obligations are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 32,906	\$ 8,258	\$ 41,164
2008	27,118	6,700	33,818
2009	10,000	5,453	15,453
2010	10,000	4,908	14,908
2011	10,000	4,363	14,363
2012-2016	60,000	13,037	73,037
2017	15,000	409	15,409
	<u>\$ 165,024</u>	<u>\$ 43,128</u>	<u>\$ 208,152</u>

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## NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental</i> <i>Activities</i>	<i>Business-type</i> <i>Activities</i>
<b>Receivables:</b>		
Property taxes	\$ 3,101	\$ -
Accounts	14,247	11,320
Intergovernmental	118,036	-
Total receivables	<u>\$ 135,384</u>	<u>\$ 11,320</u>
<b>Accounts payable and accrued expenses:</b>		
Accounts	\$ 66,924	\$ -
Accrued interest	2,798	-
Deposits	25	-
Intergovernmental	193	-
Total accounts payable and accrued expenses	<u>\$ 69,940</u>	<u>\$ -</u>

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 8: INTERFUND BALANCES AND TRANSFERS

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The composition of interfund receivable and payable balances at March 31, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Fund Financial Statements:</b>		
General Fund	Major Street Fund	\$ 3,070
General Fund	Local Street Fund	1,088
General Fund	Parks and Recreation Fund	603
General Fund	Sidewalk Construction Fund	39
General Fund	Sewer Fund	2,542
Major Street Fund	Local Street Fund	2,278
Fire Department Fund	Fire Special Fund	2,247
Sewer Fund	Major Street Fund	55
Sewer Fund	Parks and Recreation Fund	45
		<u>\$ 11,967</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
<b>Fund Financial Statements:</b>		
General Fund	Parks and Recreation Fund	\$ 10,000
General Fund	Fire Department Fund	21,420
Fire Department Fund	Fire Special Fund	12,000
Sewer Fund	Parks and Recreation Fund	3,842
		<u>\$ 47,262</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 9: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village is a member of the Michigan Municipal League sponsored self insurance/public entity risk pool. The Village pays annual premiums to the respective pools for general liability, auto, and workers' compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provide coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Defined Contribution Pension Plan:**

The Village provides pension benefits for all of its employees through a defined contribution plan administered by Lincoln Financial Advisors. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after ½ year of service from the date of employment. Annual contributions to the plan are 10% of the annual earnings, excluding overtime and other extraordinary compensation, of the eligible participating employees. The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. Voluntary employee contributions are not permitted under the terms of the plan.

The required and actual contribution for the year was \$17,897.

The plan holds no security of the employer or any related party.

#### **Post Employment Benefits:**

The Village provides no post employment benefits to retirees.



# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### Deferred Compensation Plan:

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees who are full-time and permanent part-time over the age of 21, permits them to defer a portion of their current salary until future years.

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## NOTE 11: PRIOR PERIOD ADJUSTMENT

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### Government-wide Financial Statements:

Beginning net assets for governmental activities were restated due to an overstatement of the acquisition cost of three fire vehicles. Blumfield Township has 50% ownership of the vehicles. The prior year statements showed 100% ownership by the Village.

The restatement is as follows:

Governmental activities net assets, as stated, at 3/31/05	\$ 1,970,889
Deduct: 50% of acquisition cost of three fire vehicles	(73,708)
Add: 50% accumulated depreciation on above vehicles	<u>64,800</u>
Governmental activities net assets, as restated, at 3/31/05	<u>\$ 1,961,981</u>

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF REESE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i><b>Budgeted Amounts</b></i>			<b>Actual Over (Under)</b>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	<i><b>Final Budget</b></i>
<b>Revenues:</b>				
Property taxes	\$ 251,454	\$ 251,454	\$ 262,939	\$ 11,485
State grants	143,737	143,737	141,961	(1,776)
Charges for services	122,964	122,964	134,158	11,194
Fines and forfeits	500	500	59	(441)
Interest and rents	39,736	39,736	54,279	14,543
Other revenue	13,000	13,000	29,979	16,979
Total revenues	571,391	571,391	623,375	51,984
<b>Expenditures:</b>				
<i>Current:</i>				
General government	139,643	136,943	135,751	(1,192)
Public safety	137,257	140,257	140,124	(133)
Public works	194,629	214,629	213,902	(727)
Community and economic development	6,404	5,404	3,744	(1,660)
Recreation and culture	9,757	9,757	6,854	(2,903)
Other	4,102	4,102	3,740	(362)
Capital outlay	20,850	91,105	90,438	(667)
Debt service				
Principal	14,995	14,995	14,995	-
Interest and charges	5,970	8,470	7,997	(473)
Total expenditures	533,607	625,662	617,545	(8,117)
Excess (deficiency) of revenues over expenditures	37,784	(54,271)	5,830	60,101
<b>Other financing sources (uses):</b>				
Transfers out	(31,420)	(31,420)	(31,420)	-
Total other financing sources (uses)	(31,420)	(31,420)	(31,420)	-
Net change in fund balance	6,364	(85,691)	(25,590)	60,101
Fund balance, beginning of year	477,985	477,985	477,985	-
Fund balance, end of year	\$ 484,349	\$ 392,294	\$ 452,395	\$ 60,101

# VILLAGE OF REESE

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## *SPECIAL REVENUE FUND – MAJOR STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
State grants	\$ 81,300	\$ 81,300	\$ 80,391	\$ (909)
Contributions from other units	19,852	19,852	23,422	3,570
Interest and rents	900	900	4,209	3,309
Other revenue	200	200	100	(100)
Total revenues	102,252	102,252	108,122	5,870
<b>Expenditures:</b>				
<i>Current:</i>				
Public works	65,474	64,924	49,951	(14,973)
Capital outlay	-	86,382	74,922	(11,460)
Total expenditures	65,474	151,306	124,873	(26,433)
Excess (deficiency) of revenues over expenditures	36,778	(49,054)	(16,751)	32,303
<b>Other financing uses:</b>				
Transfers out	(25,639)	(25,639)	-	25,639
Total other financing uses	(25,639)	(25,639)	-	25,639
Net change in fund balance	11,139	(74,693)	(16,751)	57,942
Fund balance, beginning of year	190,559	190,559	190,559	-
Fund balance, end of year	<u>\$ 201,698</u>	<u>\$ 115,866</u>	<u>\$ 173,808</u>	<u>\$ 57,942</u>

# VILLAGE OF REESE

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## *SPECIAL REVENUE FUND – LOCAL STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
<b>Revenues:</b>				
State grants	\$ 25,000	\$ 25,000	\$ 31,545	\$ 6,545
Contributions from other units	9,900	9,900	11,653	1,753
Interest and rents	<u>1,000</u>	<u>1,000</u>	<u>2,644</u>	<u>1,644</u>
Total revenues	<u>35,900</u>	<u>35,900</u>	<u>45,842</u>	<u>9,942</u>
<b>Expenditures</b>				
<i>Current:</i>				
Public works	22,765	32,416	31,534	(882)
Capital outlay	<u>11,500</u>	<u>34,849</u>	<u>31,957</u>	<u>(2,892)</u>
Total expenditures	<u>34,265</u>	<u>67,265</u>	<u>63,491</u>	<u>(3,774)</u>
Excess (deficiency) of revenues over expenditures	<u>1,635</u>	<u>(31,365)</u>	<u>(17,649)</u>	<u>13,716</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>	<u>1,500</u>
Total other financing sources (uses)	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>	<u>1,500</u>
Net change in fund balance	135	(32,865)	(17,649)	15,216
Fund balance, beginning of year	<u>108,299</u>	<u>108,299</u>	<u>108,299</u>	<u>-</u>
Fund balance, end of year	<u>\$ 108,434</u>	<u>\$ 75,434</u>	<u>\$ 90,650</u>	<u>\$ 15,216</u>

# VILLAGE OF REESE

## SPECIAL REVENUE FUND – FIRE SPECIAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 22,929	\$ 22,929	\$ 23,466	\$ 537
Federal grants	-	50,000	49,924	(76)
Interest and rents	56	56	488	432
Other revenues	442	442	7,575	7,133
Total revenues	23,427	73,427	81,453	8,026
<b>Expenditures</b>				
<i>Current:</i>				
Public safety	11,500	19,000	18,954	(46)
Capital outlay	750	52,600	52,587	(13)
Debt service				
Principal	17,000	17,000	16,927	(73)
Interest and fees	2,400	2,400	2,134	(266)
Total expenditures	31,650	91,000	90,602	(398)
Excess (deficiency) of revenues over expenditures	(8,223)	(17,573)	(9,149)	8,424
<b>Other financing sources (uses):</b>				
Transfers in	4,092	4,092	12,000	7,908
Total other financing sources (uses)	4,092	4,092	12,000	7,908
Net change in fund balance	(4,131)	(13,481)	2,851	16,332
Fund balance, beginning of year	14,328	14,328	14,328	-
Fund balance, end of year	\$ 10,197	\$ 847	\$ 17,179	\$ 16,332

# VILLAGE OF REESE

## SPECIAL REVENUE FUND – FIRE DEPARTMENT FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
Contributions from other units	\$ 21,420	\$ 21,420	\$ 21,420	\$ -
Charges for services	13,800	13,800	13,800	-
Interest and rents	-	-	618	618
Other revenues	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Total revenues	<u>35,270</u>	<u>35,270</u>	<u>35,838</u>	<u>568</u>
<b>Expenditures</b>				
<i>Current:</i>				
Public safety	40,019	40,419	40,400	(19)
Capital outlay	<u>4,621</u>	<u>4,621</u>	<u>4,621</u>	<u>-</u>
Total expenditures	<u>44,640</u>	<u>45,040</u>	<u>45,021</u>	<u>(19)</u>
Excess (deficiency) of revenues over expenditures	<u>(9,370)</u>	<u>(9,770)</u>	<u>(9,183)</u>	<u>587</u>
<b>Other financing sources (uses):</b>				
Transfers in	21,420	21,420	21,420	-
Transfers out	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>9,420</u>	<u>9,420</u>	<u>9,420</u>	<u>-</u>
Net change in fund balance	50	(350)	237	587
Fund balance, beginning of year	<u>15,840</u>	<u>15,840</u>	<u>15,840</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,890</u>	<u>\$ 15,490</u>	<u>\$ 16,077</u>	<u>\$ 587</u>

***OTHER SUPPLEMENTAL INFORMATION***



# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

***Current taxes:***

Property taxes	\$ 258,468
Trailer tax	543
Penalties and interest on taxes	869
Administration fees	<u>3,059</u>
	<u>262,939</u>

***State grants:***

Liquor license fees	1,251
State revenue sharing - sales tax	<u>140,710</u>
	<u>141,961</u>

***Charges for services:***

Refuse collection fees	113,744
Recreation fees	245
Police services and reports	840
Charges to other funds	<u>19,329</u>
	<u>134,158</u>

***Fines and forfeitures:***

Ordinance fines	<u>59</u>
	<u>59</u>

***Interest and rents:***

Interest	12,210
Equipment rental	39,083
Rents	<u>2,986</u>
	<u>54,279</u>

***Other revenue:***

Sale of capital assets	12,859
Reimbursements	11,771
Other	<u>5,349</u>
	<u>29,979</u>

Total revenues	<u><u>\$ 623,375</u></u>
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# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

**Expenditures:**

**General Government:**

*Council:*

Personnel	\$ 2,835
Fringe benefits	375
Education and training	280
Insurance	550
Other	118
	<u>4,158</u>

*President:*

Personnel	1,200
Fringe benefits	92
Other	900
	<u>2,192</u>

*Manager:*

Personnel	50,046
Fringe benefits	21,892
Supplies	76
Telephone	287
Dues and memberships	306
Insurance	11
Other	515
	<u>73,133</u>

*Clerk:*

Personnel	29,798
Fringe benefits	4,717
Supplies	1,465
Contracted services	420
Telephone	1,157
Dues and memberships	1,119
Printing and publications	743
Insurance	392
Repairs and maintenance	1,167
Other	879
	<u>41,857</u>

*Audit:*

Contracted services	3,021
	<u>3,021</u>

*Treasurer:*

Personnel	2,817
Fringe benefits	215
Supplies	377
Contracted services	624
Other	252
	<u>4,285</u>

# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

**Expenditures, continued:**

***General Government, continued:***

*Buildings and Grounds:*

Supplies	\$ 208
Insurance	553
Utilities	4,680
Repairs and maintenance	1,314
	<u>6,755</u>

*Attorney:*

Contracted services	350
	<u>350</u>

Total general government	<u>135,751</u>
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***Public Safety:***

*Police:*

Personnel	84,781
Fringe benefits	38,285
Supplies	6,248
Telephone	1,450
Education and training	688
Insurance	4,109
Repairs and maintenance	1,177
Other	570
	<u>137,308</u>

*Fire:*

Supplies	39
Repairs and maintenance	2,777
	<u>2,816</u>

Total public safety	<u>140,124</u>
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# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

***Public Works:***

*Department of Public Works:*

Personnel	\$ 16,235
Fringe benefits	20,779
Supplies	6,014
Telephone	1,332
Dues and memberships	403
Insurance	3,879
Utilities	2,654
Repairs and maintenance	6,354
Other	673
	<u>58,323</u>

*Drains:*

Contracted services	<u>6,385</u>
	<u>6,385</u>

*Street Lighting:*

Utilities	<u>35,422</u>
	<u>35,422</u>

*Garbage and Yard Waste:*

Personnel	3,682
Fringe benefits	282
Contracted services	101,800
Insurance	308
Repairs and maintenance	107
Equipment rental	7,490
Other	103
	<u>113,772</u>

Total public works	<u>213,902</u>
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***Community and Economic Development:***

*Planning:*

Personnel	520
Fringe benefits	48
Supplies	28
	<u>596</u>

*Zoning:*

Personnel	<u>110</u>
	<u>110</u>

*Economic Development:*

Personnel	675
Fringe benefits	52
Contracted services	518
Equipment rental	253
Other	1,540
	<u>3,038</u>

Total community and economic development	<u>3,744</u>
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# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

**Expenditures, continued:**

***Recreation and Culture:***

*Parks and Recreation:*

Personnel	\$ 845
Fringe benefits	65
Supplies	25
Contracted services	1,156
Insurance	40
Utilities	426
Repairs and maintenance	98
Equipment rental	1,199
	<u>3,854</u>

*Library:*

Contracted services	<u>3,000</u>
	<u>3,000</u>

Total recreation and culture	<u>6,854</u>
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***Other:***

Insurance	<u>3,740</u>
	<u>3,740</u>

Total other	<u>3,740</u>
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***Capital Outlay:***

Public works	<u>90,438</u>
	<u>90,438</u>

Total capital outlay	<u>90,438</u>
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***Debt Service:***

Principal	14,995
Interest and fees	<u>7,997</u>
	<u>22,992</u>

Total debt service	<u>22,992</u>
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Total expenditures	<u>617,545</u>
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**Other Financing Uses:**

Transfers to other funds	<u>31,420</u>
	<u>31,420</u>

Total expenditures and other financing uses	<u>\$ 648,965</u>
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# VILLAGE OF REESE

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

March 31, 2006

	<u>Special Revenue Funds</u>			<i>Total</i>
	<i>Parks and Recreation Fund</i>	<i>Park 125 Anniversary Fund</i>	<i>Sidewalk Construction Fund</i>	<i>Nonmajor Governmental Funds</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,278	\$ 258	\$ 31,462	\$ 33,998
Taxes receivable	-	-	218	218
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,278</u>	<u>\$ 258</u>	<u>\$ 31,680</u>	<u>\$ 34,216</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 87	\$ -	\$ -	\$ 87
Due to other funds	648	-	39	687
Deposits payable	25	-	-	25
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>760</u>	<u>-</u>	<u>39</u>	<u>799</u>
<b>Fund balances:</b>				
Unreserved:				
Special revenue funds	<u>1,518</u>	<u>258</u>	<u>31,641</u>	<u>33,417</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,518</u>	<u>258</u>	<u>31,641</u>	<u>33,417</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 2,278</u>	<u>\$ 258</u>	<u>\$ 31,680</u>	<u>\$ 34,216</u>

# VILLAGE OF REESE

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<u>Special Revenue Funds</u>			<i>Total</i>
	<i>Parks and Recreation Fund</i>	<i>Park 125 Anniversary Fund</i>	<i>Sidewalk Construction Fund</i>	<i>Nonmajor Governmental Funds</i>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ 21,620	\$ 21,620
Contributions from other units	13,600	-	-	13,600
Interest and rents	1,925	-	672	2,597
Other revenue	925	120	-	1,045
Total revenues	16,450	120	22,292	38,862
<b>Expenditures:</b>				
<i>Current:</i>				
Public works	-	-	3,526	3,526
Recreation and culture	26,713	72	-	26,785
Capital outlay	7,684	-	-	7,684
Total expenditures	34,397	72	3,526	37,995
Excess (deficiency) of revenues over expenditures	(17,947)	48	18,766	867
<b>Other financing sources (uses):</b>				
Transfers in	13,842	-	-	13,842
Total other financing sources (uses)	13,842	-	-	13,842
Net change in fund balances	(4,105)	48	18,766	14,709
Fund balance, beginning of year	5,623	210	12,875	18,708
Fund balance, end of year	\$ 1,518	\$ 258	\$ 31,641	\$ 33,417

# VILLAGE OF REESE

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

March 31, 2006

### Building Authority Bond Series 1996, General Obligation Bond

Issued Dated April 1, 1996 in the amount of	\$	175,000
Less:		
Principal paid in prior years		(40,000)
Principal paid in current year		<u>(10,000)</u>
Balance payable at March 31, 2006	\$	<u>125,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>June 1</u></i>	<i><u>Interest due</u></i> <i><u>June 1</u></i>	<i><u>Interest due</u></i> <i><u>December 1</u></i>	<i><u>Total</u></i>
2007	5.60%	\$ 10,000	\$ 3,408	\$ 3,135	\$ 16,543
2008	5.60%	10,000	3,135	2,863	15,998
2009	5.60%	10,000	2,862	2,591	15,453
2010	5.60%	10,000	2,590	2,318	14,908
2011	5.60%	10,000	2,318	2,045	14,363
2012	5.60%	10,000	2,045	1,772	13,817
2013	5.60%	10,000	1,772	1,500	13,272
2014	5.60%	10,000	1,500	1,226	12,726
2015	5.60%	15,000	1,227	818	17,045
2016	5.60%	15,000	818	409	16,227
2017	5.60%	<u>15,000</u>	<u>409</u>	<u>-</u>	<u>15,409</u>
		<u>\$ 125,000</u>	<u>\$ 22,084</u>	<u>\$ 18,677</u>	<u>\$ 165,761</u>

Note: This general obligation bond is paid from the General Fund.

### Note Payable - Fire Truck

Issue Dated October 26, 2001 in the amount of	\$	99,596
Less:		
Principal paid in prior years		(47,915)
Principal paid in current year		<u>(16,927)</u>
Balance payable at March 31, 2006	\$	<u>34,754</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>December 15</u></i>	<i><u>Interest due</u></i> <i><u>December 15</u></i>	<i><u>Total</u></i>
2007	4.10%	\$ 17,636	\$ 1,425	\$ 19,061
2008	4.10%	<u>17,118</u>	<u>702</u>	<u>17,820</u>
		<u>\$ 34,754</u>	<u>\$ 2,127</u>	<u>\$ 36,881</u>

Note: This note payable is paid from the Fire Special Fund.



# VILLAGE OF REESE

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*GOVERNMENTAL ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**  
March 31, 2006

**Capital Lease Agreement - 2004 Ford Crown Victoria**

Issued Dated July, 9 2004 in the amount of	\$ 20,265
Less: Principal paid in prior years	(10,000)
Principal paid in current year	<u>(4,995)</u>
Balance payable at March 31, 2006	<u><u>\$ 5,270</u></u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>July 9</u></i>	<i><u>Interest due</u></i> <i><u>July 9</u></i>	<i><u>Total</u></i>
2007	5.50%	<u><u>\$ 5,270</u></u>	<u><u>\$ 290</u></u>	<u><u>\$ 5,560</u></u>

Note: This capital lease agreement is paid from the General Fund.



May 11, 2006

To The Village Council  
Village of Millington

We have audited the financial statements of the Village of Reese for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Village of Reese in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Reese are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Reese during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated June 1, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants